

**REPORT ON SPECIAL INVESTIGATION
OF THE
DES MOINES COUNTY, IOWA
TREASURER'S OFFICE**

For The Period
July 1, 2005 Through June 15, 2006

REPORT ON SPECIAL INVESTIGATION OF THE
DES MOINES COUNTY, IOWA
TREASURER’S OFFICE

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Special Investigative Report

To the Board of Supervisors
Des Moines County, Iowa
Burlington, Iowa

As a result of alleged improprieties regarding certain property tax receipts and at your request, we conducted a special investigation of the Des Moines County Treasurer's office. We have applied certain tests and procedures to selected financial transactions of the Des Moines County Treasurer's Office for the period July 1, 2005 through June 15, 2006. Based on discussions with County personnel and a review of relevant information, we performed the following procedures:

1. We evaluated the Treasurer's internal controls to determine whether adequate policies and procedures were in place and operating effectively.
2. We reviewed each deleted entry in the Treasurer's computerized property tax system by each Treasurer's Office employee from July 1, 2005 to June 15, 2006 to determine if there was a corresponding entry in the monthly paid tax register.
3. We re-performed a deposit reconciliation to ensure the property tax system receipt reports reconciled with the bank deposit.

These procedures identified \$11,106 of property tax receipts that did not have a corresponding entry in the monthly paid tax register, and therefore were not deposited in the bank. Internal control weaknesses in the computerized accounting system were identified. Our detailed findings and recommendations are presented in the Investigative Summary.

The procedures described above do not constitute an audit of financial statements conducted in accordance with auditing standards generally accepted in the United States of America. Had we performed additional procedures, or had we performed an audit of the financial statements of Des Moines County, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Des Moines County Attorney's Office, the Division of Criminal Investigation and the Attorney General's Office.

We would like to acknowledge the assistance and many courtesies extended to us by the personnel of Des Moines County during the course of our investigation.

Theobald, Donohue & Thompson, P.C.

Mt. Pleasant, Iowa
June 28, 2006

REPORT ON SPECIAL INVESTIGATION OF THE DES MOINES COUNTY TREASURER

Investigative Summary

Background Information

The staff at the Des Moines County Treasurer's Office consists of the Treasurer, the First and Second Deputy Treasurers, and several other Tax and Auto department staff. The County Treasurer is responsible for supervising the staff. Treasurer's Office personnel duties include coding receipts into the property tax accounting system, taking cash and checks to the bank for deposit, and preparing reports and other information for County Officials.

Tax Department personnel collect property tax payments. The Deputy Treasurer or Clerk collects payments and creates a receipt using the computerized property tax accounting system. The creation of a receipt in the system updates the financial data in the accounting system. The County Treasurer deposits all monies collected by the office on a daily basis. The cash collection receipt register generated by the system contains all receipts recorded, and is reconciled daily with the deposit to ensure all collections were deposited in the bank.

On June 15, 2006 the Treasurer was preparing for the tax sale process. During preparations, she was unable to account for three properties in the tax sale item listing generated by the system. Consecutive item numbers are assigned each property, and the Treasurer noticed three numbers were missing. Upon further investigation it was discovered that receipts had been improperly voided. A Deputy, Ms. Cathy Gibb, presently admitted taking the money for these three receipts. She then admitted to embezzling at least twenty receipts since February 27, 2006 up until June 14, 2006 and provided copies of each receipt she admitted to embezzling.

The County Treasurer contacted the County Attorney and the County Sheriff. The Division of Criminal Investigation (DCI) was contacted, and requested Theobald, Donohue & Thompson, P.C. (TD&T) to investigate the alleged misappropriations. TD&T promptly contacted the Office of Auditor of State. As a result of the request to investigate, we performed the procedures detailed in the Special Investigative Report for the period July 1, 2005 through June 15, 2006.

REPORT ON SPECIAL INVESTIGATION OF THE DES MOINES COUNTY TREASURER

Investigative Summary

Detailed Findings

These procedures identified twenty-eight receipts totaling \$11,106.00 of property tax receipts from February 27, 2006 to June 14, 2006 that were not deposited. Each of these receipts was dated on a different day and the largest one was \$762. All but one was shown in the system as being paid by cash. The Treasurer did not notice the cash component of the deposits had declined because only one receipt was stolen on any given day.

The Deputy Treasurer was able to avoid detection of these activities by voiding the receipt in the cash collection receipt register and by entering the receipt as paid in the accounts receivable area of the system. In this way, customers were shown as paid up. Also, the receipts were not included in the monthly paid tax register. Therefore the receipts were not found during the monthly reconciliation of deposits to the monthly paid tax receipts.

The Des Moines County Data Processing Department created a query of the system to show all deleted transactions by the Deputy Treasurer's user identification for all dates since the current property tax system was implemented. We performed a comparison of the deleted transactions to the copies of the receipts submitted by the Deputy Treasurer. Every deleted transaction in the query since the February 27 receipt corresponded to a receipt the Deputy Treasurer had taken. All twenty-eight receipts were matched to deleted transactions. We attempted to trace receipts to the monthly paid tax register, but they were missing from the register.

Next, we performed a comparison of the deleted transactions prior to February 27, 2006 to the monthly paid tax register. The Treasurer explained that some entries were related to a correction of a certain customer's records that the Treasurer identified as legitimate corrections. The Treasurer showed that each of these entries were for the same customer, and explained that no cash or receipts were to result from these transactions. We traced all of the other deleted transactions to the monthly paid tax register, which is reconciled to total bank deposits monthly by the County Treasurer. We re-performed a deposit reconciliation for October 5, 2005, which properly included a receipt associated with a deleted record in the query. We requested a query report from data processing showing all deleted transactions for all Treasurer office personnel to determine if the Deputy Treasurer ever used a different user ID to void or delete entries. We reviewed every deleted transaction under every user ID since July 1, 2005 and found no other irregularities.

The Des Moines County Treasurer indicated that she will contact the system developer and give recommendations for improvements to the internal controls implemented in the system to prevent the non-detection of improperly voided and deleted transactions.

REPORT ON SPECIAL INVESTIGATION OF THE DES MOINES COUNTY TREASURER

Investigative Summary

Recommended Control Procedures

As part of our investigation we reviewed the procedures used by the Des Moines County Treasurer to perform deposit reconciliation functions and process receipts. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from error and irregularities. These procedures provide that the actions of one individual will act as a check on those of another and provide a level of assurance that errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the Des Moines County Treasurer's internal controls.

- A. Segregation of Duties – Receipts were voided improperly while no other personnel in the office reviewed these transactions. Separately, the accounts receivable data was manipulated to show that amounts had been paid.
Recommendation – An employee who does not record receipts into the system should review a report of all voided receipts daily. Some voided receipts should be investigated even when the employee suspects no improprieties.
- B. Deposit Preparation – Each day an employee is responsible for preparing the deposit, which includes reconciling to receipt reports. This employee may also collect money and prepare receipts. The County Treasurer takes the prepared deposit to the bank.
Recommendation - Another employee in the Treasurer's office should review the entire daily deposit preparation on a surprise basis, not less than once each month.

REPORT ON SPECIAL INVESTIGATION OF THE DES MOINES COUNTY TREASURER'S OFFICE

Property Tax Receipts Identified by Cathy Gibb
For the Period July 1, 2005 Through June 15, 2006

<u>Receipt #</u>	<u>Date</u>	<u>Time</u>	<u>Amount</u>
41907	2/27/06	04:09 PM	\$ 90.00
41970	2/28/06	10:20 AM	301.00
42731	3/07/06	12:27 PM	426.00
43560	3/13/06	01:12 PM	519.00
43976	3/15/06	01:41 PM	592.00
44423	3/20/06	12:44 PM	109.00
45016	3/21/06	01:07 PM	762.00
50258	3/29/06	12:42 PM	472.00
52343	4/03/06	01:28 PM	184.00
53237	4/05/06	04:05 PM	209.00
53536	4/07/06	10:49 AM	719.00
53632	4/10/06	10:55 AM	378.00
53827	4/17/06	03:15 PM	278.00
53917	4/20/06	12:33 PM	127.00
53950	4/21/06	10:09 AM	593.00
54106	4/28/06	04:23 PM	587.00
54140	5/01/06	10:20 AM	683.00
54501	5/08/06	12:31 PM	497.00
54598	5/09/06	04:43 PM	82.00
54610	5/10/06	01:07 PM	679.00
54724	5/16/06	01:55 PM	377.00
54825	5/17/06	03:06 PM	468.00
54914	5/19/06	12:34 PM	308.00
54916	5/22/06	06:44 AM	523.00
55119	5/30/06	04:03 PM	217.00
55130	5/31/06	08:55 AM	331.00
55264	6/05/06	01:11 PM	179.00
55394	6/12/06	01:15 PM	<u>416.00</u>
Total			\$ <u>11,106.00</u>

REPORT ON SPECIAL INVESTIGATION OF THE DES MOINES COUNTY TREASURER'S OFFICE

Staff

This special investigation was performed by:

THEOBALD, DONOHUE & THOMPSON, P.C.
Certified Public Accountants
Mt. Pleasant, Iowa

Personnel:

Tom Holtkamp, CPA, Principal

Ted M. Wiegand, CPA, Staff Accountant